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Central Intelligence Agency

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

23 October 1985

Sino-French Relations: A Status Report [redacted] 25X1

Summary

French Foreign Minister Dumas' recent visit to China focused primarily on economic relations. The Chinese initialled an agreement to buy French communications equipment and approved the establishment of a new French trade mission in Beijing. Expanding trade ties with France is part of a broader effort by China to diversify its sources of high-technology imports, to encourage sharper competition among Western suppliers, and to break down COCOM barriers to trade in more advanced Western technology. [redacted] 25X1

China has also sought to maintain good political relations with France, but the two countries are not particularly close. China does publicly support France's efforts to promote a strong, independent Europe able to exert greater influence in NATO and over US strategic policy in general. China has cast its support for the French Eureka project, for example, in such terms, but we believe Beijing is mainly interested in acquiring access to any new technology the program spawns. In recent years the only area

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This memorandum was prepared by [redacted] Office of East Asian Analysis. Information available as of 23 October 1985 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Foreign Affairs, China Division, OEA, [redacted]

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of contention has been Indochina, but the two countries have differed more over tactics than objectives. [redacted] 25X1

Economic Ties

Both sides have often been disappointed in their efforts to expand trade. China's perception that most French technology is not as good as that of the United States or Japan has been a major impediment, even though less sophisticated French technology would be easier to absorb and in many cases more appropriate at this stage of China's development. The Chinese also have complained about the high prices and lack of adequate service support for French equipment, in addition to the reluctance of the French to transfer technology with their sales. The French in turn have been frustrated by the Chinese tendency to vacillate on contracts. They view Chinese stalling as a tactic to drive down prices by encouraging competitive bids from other suppliers. [redacted] 25X1

French efforts to conclude a deal to build the Guangdong nuclear power project have been plagued by such problems. The original memorandum of understanding was signed in 1978, only to be "deactivated" shortly afterward when the Chinese leadership felt compelled to cut capital spending to conserve foreign exchange. The French and Chinese signed a new memorandum of understanding in May 1983 when President Mitterrand visited China, but the two sides have yet to come to terms on financing or nonproliferation guarantees. Negotiations recently resumed and quickly broke down. Meanwhile, the Chinese have concluded nuclear agreements with the United States and Japan in order to encourage bids from other suppliers. [redacted] 25X1

Perhaps because of these problems, France initially was not an enthusiastic supporter of a US proposal to streamline COCOM procedures that would result in expediting the handling of export licenses for China. The French complained in both NATO and COCOM meetings that these reforms would only enhance the already substantial US competitive edge in the China market. [redacted] 25X1

Over the past year, however, France has concluded important deals with China for telecommunications technology that have turned it into an ardent supporter of COCOM reforms. Last January, for example, a French firm sold approximately $55 million in digital telephone exchange equipment to China. The French are closely watching the progress of a Chinese case in COCOM that involves a $2 to $3 million packet-switching network. French pursuit of US approval for this case is spurred by expectations of similar future orders from China. The French are also extremely interested in the Chinese fiber optics market. [redacted] 25X1

The net result is that total French exports to China, which had dropped from $450 million in 1983 to $310 million in 1984 rebounded in just the first half of this year to $412 million. Encouraged by these successes, the French are now aggressively trying to push their advantage in the transportation field, hoping to sell everything from the airbus to their subway system. So far this year they have sold three airbuses and 150 electric locomotives to the Chinese. In the second quarter of 1985 alone, the French have sold $99 million in aircraft and aircraft-related products to China. [redacted] 25X1

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We believe increased Chinese interest in French technology is part of a larger effort to expand trade ties with Europe and lessen China's dependence on the United States and Japan for advanced technology--if only marginally. The overwhelming number of Chinese requests for export licenses submitted to COCOM are still for US advanced technology. In 1984, for example, 83 percent of the total cases were US ones. We believe the Chinese hope to give the European members of COCOM in particular a larger stake in liberalizing, if not abolishing, COCOM rules regulating technology transfer to China. Indeed, the Chinese have repeatedly lobbied the French as well as the other Europeans to exclude China from COCOM review.

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Political Ties

Beijing has long had cordial--if not close--relations with France, the first Western nation with which it established full diplomatic relations. China and France frequently consult, but given the narrow, largely regional focus of their interests, they rarely coordinate or cooperate on matters. Official contact is frequent and routine. Every French President since de Gaulle has visited Beijing, including Mitterrand in 1983--a visit Premier Zhao Ziyang repaid in May 1984.

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Chinese and French views on a wide range of foreign policy issues have converged over the past few years because of overlapping strategic concerns about the Soviet Union. China, for example, has come out in favor of Western Europe's playing a stronger, more independent role in world affairs, which would provide a moderating influence on both superpowers and especially on the arms race. France has long supported such a role. Both also favor a strong NATO, as an important shield against Soviet expansionism. The Chinese, however, and to a lesser extent the French do not want their freedom to maneuver restricted by alliance policies.

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China and France have adopted similiar views, moreover, on arms control issues in recent years--each for its own reasons. Both have supported the US global approach to the INF talks, and during Mitterrand's visit to Beijing in May 1983 the Chinese expressed support for the French position on exclusion of their nuclear forces from Soviet-US INF negotiations. We believe Beijing feared that US acceptance of the Soviet proposal for including French and British intermediate-range missiles in the INF talks would set a precedent for Soviet insistence on the inclusion of Chinese missiles as well. China and France also privately supported the US decision to proceed with the deployment of Pershing missiles in Europe to counter Soviet SS-20 deployments and strengthen the US negotiating position.

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Recently, China has endorsed France's proposed Eureka project for European technological cooperation and criticized the US Strategic Defense Initiative (SDI). The Chinese share French concerns that SDI may escalate the arms race into outer space and ultimately compromise their own limited nuclear deterrent. Although Eureka is cast as a strictly civilian venture concentrating on such high-technology areas as high-speed computers, robotics, biotechnologies, and lasers, the Chinese seem to be ignoring the fact that it could have a similiar effect on their own deterrent capabilities.

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Although the Chinese have expressed interest in participating in Eureka, they have not specified what support they might provide. French diplomats recently told US officials that the Chinese do not seem prepared to engage in a real dialogue on SDI, and the French do not expect China to contribute much, if anything, to Eureka. As a result, the French have concluded that Chinese support for Eureka is based largely on China's interest in emphasizing its differences with the two superpowers and in obtaining access to some of the technology the program spawns.

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In one area where France and China do have more solid, overlapping interests--Indochina--the two have worked somewhat at cross-purposes over the past few years. France under the socialist government of Francois Mitterrand has sought to lure Vietnam out of the Soviet camp and create a better climate for a settlement of the Cambodia issue by offering economic inducements. This approach appeals to the socialists' ideological bent as well as French national interests in rebuilding historical links with the Vietnamese.

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The Chinese, however, were sharply critical of French policy when Mitterrand visited China in 1983 because they felt it undermined their efforts to isolate Vietnam. Subsequently, Mitterrand has tried to reassure Beijing that he seeks the same objective it does: the withdrawal of Vietnamese forces from Cambodia and the establishment of a neutral state buttressed by international guarantees. We believe that the Chinese are still uncertain about French intentions toward Indochina.

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